



EUROPEAN ECONOMIC GOVERNANCE AND SOCIAL DIALOGUE

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Abstract. The social partnership in the EU is seriously affected by the financial crisis and subsequent economic recession of 2008-2010 and the 2011-2012 sovereign debt crises in Eurozone. The paper examines social dialogue between unions, employers and governments as a fundamental element of industrial relations at large. However, a framework of this study is a new EU concept of economic governance and response of trade unions to this concept. The position of trade unions with regard to implementation of the economic governance is discussed. The paper provides an overview of the current challenges that confront public authorities and social partners in the EU. The author had elaborated the approach to industrial relations and social dialogue taking into account a comparative approach applied by international institutions in the context of existing socio-economic trends. The research methodology is based on quantitative data collection as well as qualitative analysis of the available information at the EU level and in Latvia. In addition, a comparative analysis was applied while models of trade unions were analysed and the trade unions' practices as a social partner in the decision-making processes in the EU and Latvia have been illustrated. Finally the paper considers how the trade unions performance in Latvia could be encouraged, e.g. through changing tasks and functions and empowering stakeholders to perform efficiently in general and in relation to the new European social and economic governance.

Key words: *European economic governance, trade unions, legislation, social dialogue, social partnership*

JEL code: J50, J52, J53, J54, J58

Introduction

Decision-making in the EU is based on certain conditions that are convincingly presented in a number of the EU documents and regulations. It is also underlined in the EU2020 Strategy (COM (2009) 647 final). Social Partnership in public administration and economic governance at the EU level and in the EU Member States refer mainly to trade unions and employers' organisations as main partners (COM (2011) 813 final – 2011/0390 (CNS) in negotiations related to decision-making process in searching for the best approach to deeper and more efficient European integration process.

Social Partnership and economic governance in the EU was seriously affected by the financial crisis of 2008-2010, subsequent economic recession, and the Eurozone public debt crises of 2011-2012. Implementation of monetary and fiscal austerity measures required negotiations with social partners to prevent undesirable social consequences (ETUC and ETUI, 2012). However, according statistical information the Euro area unemployment rate was 11.8 at the end of 2012 and the EU-27 – 10.7% respectively. The highest unemployment rates have been recorded in Spain (26.6%) and Greece (26.0% – September 2012) (Eurostat, *Euro area unemployment rate*, News Releases 4/2013). The crisis which Europe has been undergoing since 2008 is having an exceptionally severe and ever-increasing impact on young people; the youth unemployment rate stood at 22.7% in the third quarter of 2012, twice as high as the adult rate¹ (European Commission, COM (2012) 727 final, Brussels, 5.12.2012), and no signs of improvement are in sight. Employment relations greatly influenced these employment rates and

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understanding the industrial relations during the crisis would produce useful conclusions to improve responses to the possible next economic downturns.

The economic and financial crisis 2008-2010 highlighted systemic complications and, consequently, an urgent need to develop new policy responses in economic governance and public administration to overcome fundamental issues in the context of the followed public debt crisis 2011-2013 as well as its consequences. The new economic governance is aimed at provide social stability in the EU and alleviate social hardship. The EU and its member states have put in place a new set of regulations, procedures and institutions that have come to be known as the “new European economic governance”, which is a comprehensive Commission package of six legislative proposals to strengthen existing tools and extend them for coordinating economic and fiscal policy in the EU and more specifically in the euro area – as part of the EU’s response to the current turmoil on sovereign debt markets. Further provisions are made for the “European Semester” (Council of the European Union, Brussels, 8 November 2011, 16446/11, PRESSE 413).

Recent conference by the European Trade Union Institute on “*European labour markets in (the) crisis: Is there light at the end of the tunnel?*” shows importance of economic governance and reforms related to the implementation of the economic governance in the EU Members States. It was highlighted that governments should focus on labour markets and employment as one of the dimensions included in the above mentioned legislative proposals. According to László ANDOR, European Commissioner responsible for Employment, Social Affairs and Inclusion “Governments and social partners must think in concrete terms about how to create and maintain jobs. Europe needs to boost demand for labour... employment policy is not only about ensuring that the unemployed are job-ready but also about stimulating hiring. Member States need to seriously lower the tax wedge on low-paid labour, also by taxing capital incomes, property and pollution more. Shifting taxation away from labour is a structural reform conscious of the fact that our economy and society needs more people to work and to make a living through work.” (Speech 13/88 Brussels/31 January 2013).

The complex nature of the economic downturn influenced employment policies and industrial relations institutions that are varied in the EU countries (European Commission, 2012, ETUC, 2011). Social partnership in public administration research is closely linked to analysis of the position and activities of collective actors e.g. employers’ organisations, trade unions and governments. A fundamental element of the economic governance, decision-making process in the EU and industrial relations at large is social dialogue and social partnership between unions and employers. The key institution in this context is a collective labour agreement. Employment relations greatly influence employment rates. The organisation of employment relations also influences understanding the industrial relations in public administration management. Further research related to the above-mentioned changes in the labour market and the role of social partnership at the time of crises may suggest some conclusions and recommendations related to practical considerations of adequate responses to economic downturns.

Methodology of research

The framework of the study is the concept of industrial relations in the EU in general and, in public administration in particular. The role of trade unions in social dialogue and social partnership is an important element of the framework. The author had elaborated an approach to industrial relations and social dialogue taking into account comparative method to definitions provided by such international institutions as International Labour Organisation and Organisation for Economic Cooperation and Development. An opinion of institutions in the EU and Latvia related to the industrial relations and social partnership has been considered. The authors also refer to a number of studies by scholars that made contributions to this area of research. The research methodology is based on quantitative data collection



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as well as qualitative analysis of the available information. In addition, a comparative analysis was implemented while models of trade unions were analysed and the role of trade unions as a social partner in the decision-making process have been illustrated. The authors applied central tendencies variation indicators and grouping. In particular, some examples of analytical results of questionnaires, distributed among representatives from Latvian Free Trade unions Federation, sectoral trade unions and expert-interviews are presented.

Special attention is given to trade unions as a social partner in decision -making process at the EU level, due to significantly developed social partnership, which is a part of the EU social dimension as compare to the other parts of the world.

The authors exploited Database on Institutional Characteristics of Trade unions, Wage Setting, State Intervention and Social Pacts (ICTWSS) European Industrial relations observatory (EIRO) on- line; The European Foundation for the Improvement of Living and Working Conditions' The European Social Survey, European Trade Union Institute database. The above databases helped to provide institutional analysis of labour unionization, the role of state in this process and some issues related to unionization as, for example, trends in collective bargaining and wages.

Legal framework of social partnership in public administration

Social partners at the European level are organised according to three different types of activities. This system is the most advanced organisational scheme in the international labour practices:

- 1) *Tripartite consultation*, exchanges are between social partners and European public authorities;
- 2) *Consultation of the social partners*, these cover the activities from consultative committees and official consultations;
- 3) *European social dialogue*, the bipartite work of the social partners, whether or not it stems from the official consultations of the Commission are based on Articles 153 and 154 of the Treaty on the functioning of the European Union (TFEU, Official Journal C 115/47, 2008).

In EU Member States the collaboration between state and social partners is an important link between industrial relations and government policy. It provides the means of adjusting collective bargaining to national economic, employment and social policy while opening it up to possible influence by social partners. Two subsystems of social partnership can be differentiated: bipartite consultations and negotiations between the social partners on one hand, and tripartite consultation and concerted policy-making between the social partners and the state on the other. Bipartite social partnership encompasses three arenas:

- 1) the informal practice of negotiations and discussions at cross-sector levels;
- 2) the collective bargaining system, focused on the sectoral level and representing the core institution of bipartite social partnership.

Tripartite social partnership relates to all social and economic policy issues, which in formal terms fall within the purview of state powers and responsibilities.

The European Union has no powers to harmonise the numerous – and in some cases very different – systems of employment policies and social protection in the member states. Instead, the role of the EU institutions is to coordinate these systems to protect the main principles of the Common Market, by applying the Open Method of Coordination. The European Social Charter articulates a number of fundamental rights in such areas as collective bargaining, protection from unjustified dismissal, workplace health and safety (European Social Charter, 1996).

At the company-level, social dialogue was implemented in the EU by the adoption of the European Works Councils Directive in 1994 subsequently revised in 2009 (Official Journal C 340) and in 2002 (Official Journal L 80) a general framework for informing and consulting employees in the European Community was established with a Joint declaration of the European Parliament, the Council and the



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Commission on employee representation. It was a successful result of constructive negotiations on promoting fairer economic development through collaborative efforts to increase productivity and enhance work conditions.

Research results and discussion

1. Economic governance and industrial relations

Labour market policies vary in the EU Member States. According to a World Bank experts (Auer, Cazes, 2003), the most flexible labour market considered to be Denmark. Another countries representing flexible labour markets are, according to experts, Sweden and UK (Pissarides Ch.A., 2008). The most common example cited to illustrate the concept of ‘flexicurity’ is the Danish model with Competitive labour cost level and well-organised labour market with good cooperation between the social partners, competitive remuneration costs for employees. In addition, employers can terminate of contracts and are entitled to dismiss skilled and unskilled workers at any time, thus and individual business could adjust its function and the size the required labour. Wages and work hour rules are the result of negotiations between labour market institutions or directly at the company.

Table 1

Employment Policies and Regimes in EU-15

Regime	Policies	Countries
Regime A	1. High compensation rates 2. Strict availability for work requirements 3. Active LMPs 4. Low to average employment protection	Denmark, the Netherlands, Sweden
Regime B	1. Low compensation rates 2. Few formal demands on availability 3. Varying degree of active LMPs 4. Limited employment protection	Ireland, United Kingdom
Regime C	1. Varying compensation rates 2. Varying demand on availability 3. Passive LMPs 4. Average to high employment protection	Austria, Belgium, Finland, Germany
Regime D	1. Average compensation rates 2. Strict availability for work requirements 3. Passive LMPs 4. High employment protection	France, Italy, Spain, Portugal, Greece

Source: Danish Ministry of Finance (2004-2011), *Medium Term Economic Outlook*

According to a report by the Danish Ministry of Finance on labour market performance in the EU-15, there are four identifiable regimes of labour market policies (LMPs):

1. The *North-European* regime (A) – Denmark, the Netherlands, Sweden. These countries have generous unemployment benefits and disincentive effects are counterbalanced by strict rules governing availability for jobs, and low to medium employment protection.
2. The *Anglo-Saxon* regime (B) – the UK and Ireland. Low unemployment benefits, and expenditures on active labour market policies, few demands for availability, and a low level of employment protection.



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3. The *Central-European* regime (C) – Austria, Belgium, Finland, and Germany. Labour market policies in these countries are predominantly passive and employment protection is at average European levels.
4. The *South-European* regime (D) – France, Greece, Italy, Portugal, and Spain. In these countries, employment protection is high, unemployment compensation close to the European average, and labour market policies are passive.

In most countries of the EU employment policies are based on a combination of elements from B and C regimes. In Latvia, for example, there are elements of these two regimes with the following elements: low compensation rates, few formal demands on availability, limited employment protection, and passive labour market policies. To promote implementation of the ‘flexicurity’ principles in Latvia, the Saeima (Parliament) adopted on 15 May 2009 amendments to the Labour Law, which brought flexibility and security in employment relations (LR Labour Law amended, 2010).

More flexible labour markets would reduce the costs of companies adjusting to rapid changes of the highly integrated international economy and improve competitiveness of the EU member states. At the same time, increased labour participation and higher income security contributes to higher levels of social inclusion. The ‘flexicurity’ approach is integrated in the Europe 2020 strategy and is expected to contribute to the achievement of its objectives (European Commission, 2010). ‘Flexicurity’ comprises six fields of activities which promote labour market flexibility and employment security by mutual cooperation (Table 2).

Table 2

Fields of activities for implementation of the flexicurity system

Labour legislation and agreements are sufficiently flexible and correspond to the interests of both the employer and the employee	Active labour market policies must efficiently facilitate the transfer from one workplace to another or from the status of unemployed to employed	Lifelong learning systems should be improved enabling an employee to be employed throughout the working age
A modern social security system must be established	Adequate assistance to residents in case of unemployment	Flexicurity must facilitate mobility and faster return to the labour market

Source: adapted from European Commission Draft Report “Draft Joint Employment Report (JER)”, 2009/2010, COM(2009) 674/3

Implementing the aims of the Lisbon strategy and the principles of ‘flexicurity’ in Latvia requires ensuring an effective social dialogue between the Employers’ Confederation of Latvia, the Free Trade Union Federation, and the government. This is another example of the implementation of social partnership in the country. Yet the development of this concept is still not included in national programmes on a large scale and does not enjoy strong government support. Several measures have been implemented in the recent years to improve the social dialogue on the national and local level. For example, with the help of European Social Fund financing, Latvian social partners including the Employers’ Confederation of Latvia and the Free Trade Union Federation of Latvia, local governments, and the Latvian Association of Local and Regional Governments are involved in employment partnership and in improving the social dialogue at national and regional levels. This employment partnership could ensure social dialogue on the local and regional levels and increase the opportunities for social partner participation in the decision-making process and provision of public services, as well as to improve the quality of public services provided by non-governmental organisations. Employment policies at all macro and micro levels are linked to industrial relations. Current socio-economic trends show the existence and practices of industrial relations in company, industry, and public sector levels of management (European Foundations for the Improving Living and Working Conditions, 2007). For example, tighter fiscal



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discipline has been one of the policy imperatives of the governments of EU Member States for the past decade. Social partners involved in this process agreed about the need for tighter control of public spending.

The fiscal targets set out in the Maastricht process (Official Journal C 191, 1992) under discussion during the current EU debt crisis have reinforced financial discipline. Strong fiscal discipline has a number of implications for industrial relations. For example, it has led governments to focus on greater efficiency and higher productivity in public services resulting in reviews of how public service pay is determined, grading structures, employment contracts, and working practices. Fiscal discipline has also provided added impetus to new approaches to public management, such as the 'strategic management initiative' principles, devolved administrative budgeting, clearer objectives for service delivery, more accountability and flexibility in deploying resources, and devolving managerial decision-making authority. This change in public management due to the imperative of fiscal discipline on governments, inevitably led to the establishment of a new type of industrial relations practices in the public services, health, education and local authorities.

Industrial relations related research is closely linked to analysis of the position and activities of collective actors, e.g. employers' organisations, trade unions and governments. A fundamental element of industrial relations is social dialogue and the key institution in relations between unions and employers is the collective labour agreement. The complex nature of the economic downturn influenced employment policies and industrial relations institutions that are varied in the EU countries (ETUC, 2011; European Commission, 2011). In general, institutions of industrial relations are defined as 'arrangements to regulate the employment relationship' (Milner, 1994). Given that wages are the most important feature of the employment relationship, the institutions which regulate, set or influence wages are of particular significance. As a result, trade unions play a major role in industrial relations. A general trend of growing trade union activity of employees in Europe was recorded between the 1930s and the 1980s. Collective bargaining performed impressively after World War II, more than tripling weekly earnings in manufacturing between 1945 and 1970, gaining for union workers an unprecedented measure of security against old age, illness, and unemployment, and, through contractual protections, greatly strengthening their right to fair treatment at the workplace (Milner, 1995; Trade Union Congress and the Economic and Social Research Council, 2011). There have already been several decades of trade unions decline, shrinking union density in the EU countries, decentralisation of collective bargaining, and lowering of employee participation level. These trends are observed in most EU countries. Trade union membership statistics released by the European Trade Union Confederation in 2011 show that union density and collective bargaining coverage have once again fallen. Less than 31 per cent of workers were covered by a collective agreement in 2010, which is 2 per cent less than in 2009 and 5 per cent less than a decade ago. In 2010, union participation in the private sector fell from 18 per cent to 17 per cent, and in the public sector from 68 per cent to 64.5 per cent (European Trade Union Confederation, 2011). This means that across both the private and the public sector, fewer workers are covered by collective bargaining than at any time since World War II. These lowering trends of trade union density rates have spurred policy makers and scholars to study the organisation of trade unions, their models, and negotiations of collective agreements.

Recently a number of changes and reforms have been taken place as the result of the current economic problems in the EU and EU Member countries. Despite of the active position taken by the trade unions, their representation has been weakened as well as actions taken at all bargaining levels. This could affect the aim, core functions, and institutional tasks of trade unions of protecting and representing employees. Decentralisation of collective bargaining to the lowest level weakens the social acquis achieved so far by the trade unions at national and local levels and will affect sectoral collective bargaining. It also lowers the standard of rights recognised anchored in legislation and collective agreements, as well as affecting fundamental employment conditions related to working time, pay, work organisation, working environment, social protection, and workplace health and safety.



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The recently published discussion paper by Christophe Degryse (ETUI, 2012, pp. 69-80) questions the relevance of the proposed remedies and criticizes the austerity approach which uses “structural reforms” to undermine the European social model.

It is also important to underline that national reforms affect the hierarchy of social norms. For example, in some cases in Latvia, there has been recourse to ‘emergency procedures’ by national legislators to bypass agreements on ‘anti-crisis’ measures agreed upon by social partners and/or prepared by national governments in consultation with them. As a result anti-crisis measures and labour law reforms directly or indirectly affected fundamental social rights. Further research related to impact of legislation on the labour market and the role of social partnership would be helpful.

2. Industrial Relations and Trade unions in Latvia

The evolution of trade unions in Latvia as in the other post-socialist countries is rooted in the transformation process from the socialist system to a system of market economy and reflects responses to social and political changes that the country has undergone during last 20 years of independence. As the result, trade unions in Latvia have been in transition process until Latvia became a member of ILO and the EU. These memberships influenced transition of trade unions from a *model in which state has a dominant position* to a model that represents a *social partner unionism*. The transition process of changing the role of trade unions taking place in Latvia is common also to other countries that formerly were a part of the Soviet Union trade unions’ system. Latvia’s membership in the EU and adoption of a number of international agreements and conventions has increased the importance of trade unions as trade unions became a social partner to the government and employers confederation in tripartite negotiations and thus could influence decision-making process. On behalf of 20 trade unions a single central Trade Union organisation – the Free Trade Union Federation of Latvia (LBAS) represent their interests. However, in Latvia as in many other countries in Europe, trade unions’ membership has been declined dramatically from the early 1990s and until now.

Table 3

Changes in the Trade unions membership in Latvia 1995- 2010²

Year	Membership	Membership in % to the number of employees
1995	320 572	27
2000	200 100	24
2001	195 700	20
2002	179 700	18.3
2003	175 500	18
2004	170 000	17.2
2005	169 708	16.8
2006	167 424	16.7
2007	151 222	16.5
2008	151 222	16.5
2009	143 000	16
2010	127 000	14

Source: author’s estimations based on European Industrial relations observatory on line (2010) Available <http://www.worker-participation.eu/National-Industrial-Relations/Across-Europe/Trade-Unions2>; ICTWSS: Database on Institutional Characteristics of Trade unions (May 2011), Available: <http://www.uva-aiaa.net/208>; The Free Trade Union Federation of Latvia data

² Data for 2011 and 2012 is not available



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Overall around only 14% of employees are members of trade unions. Membership is higher in some areas of the public services – in general 33%, but in health and social work, and in education systems a membership could reach up to – 60%, for example.

Table 4

Employees desire for trade unions membership in Latvia 2006-2010

Total number of employees questioned – 2 378	2006	2010	Difference (%)
Employees that would like to obtain membership (%)	29.2	23.4	-5.8
Employees that did not like to obtain membership (%)	43.7	64.9	+21.2
Trade unions members out of respondents	16.1	5.8	-10.3

Source: authors estimations on Latvian Employers Confederation database: working conditions and risks in Latvia 2009-2010 in the framework of the research project Nr. 1 DP/1.3.1.3.2/08/IPIA/NVA/002

One of the important elements in employee-employer relations is collective agreements.

Table 5

Changes in activities of trade unions in Latvia 1995-2012

	1995	2012
Population	2,749,211	2,191,580
Latvian Free Trade unions Federation (LBAS)	1	1
Collective bargaining coverage (%)	20	34
Proportion of employees in unions	27	14
Principle level of collective bargaining	company	company

Source: authors' calculation base on LBAS database; European Industrial relations observatory on line (2010) Available: <http://www.worker-participation.eu/National-Industrial-Relations/Across-Europe/Trade-Unions2>; ICTWSS: Database on Institutional Characteristics of Trade unions (May 2011), Available: <http://www.uva-aiaa.net/208>

In Latvia collective agreements cover around 20% of all employees, however, coverage is higher in the public services at around 55% in health and 90% in electricity sector (Latvian Free Trade Unions Federation (LBAS) Database. Available at: <http://www.lbas.lv/members>). Collective bargaining takes place mainly at local, company level and in the public sector. There are some sectoral agreements, particularly in the public sector, in various civil service and public companies, for example, energy and water suppliers and forests. However, higher-level collective agreements are rather policy documents, dealing with issues in social partnership, than collective bargaining on employment conditions. Principle level of collective bargaining is at the company level.

The framework for collective bargaining was set out in laws passed in 1998-1999 as well as during the negotiations on the accession to the EU. The Latvian bargaining coverage is at the lower end of the scale. Concluded sectoral agreements are very general and in majority of cases they just reproduce the possibilities offered by the law. The dialogue at enterprise level is more common and better developed, especially in medium and large enterprises.

In order to understand the conditions under which organisations acquire success and strength, it is important to consider how trade unions, their leaders and employees interact.

To deal with these issues, questionnaires have been distributed to representatives of the Latvian Free Trade Union Federation, the Latvian Railway Workers Union (which functions in the state sector and has 16,000 members) to the Latvian Transit Workers Union (in the private sector with 1,000 members), Latvian Trade unions in Health Sector (12,000), Trade unions of Local Government (5,300), Latvian Trade unions of education and Science Employees (32,597) in addition to the above, the questionnaires cover a number of questions about employment policy in the country, strategic planning of employment policy at the company



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level, trade union policy related to potential increase of membership and on the role of trade unions in social dialogue (this question is particularly important in the light of the current economic recession). On the basis of the analytical results of questionnaires and interviews, distributed among representatives from the above-mentioned trade unions, the following major conclusions could be summarised:

1. In general, employees in Latvia have opted for individual strategies rather than collective strategies to improve their economic situation. This trend weakens employees' collective identity.
2. Trade unions members' collective identity and participation are proportional to their feelings of importance in their organisation.
3. The interviews' results illustrated that the interviewees considered skilled leadership fundamental to trade unions' success. And once the members of the organisation see concrete policy results by means of their participation, they will have more reasons to participate.
4. Trade union leaders rose up through the union hierarchy mostly through their cultural capital and expertise.
5. Overall the involvement of trade unions as well as the other social partners is not strong enough, despite some examples in which unions' voices were heard.

Latvia was hit by the economic crisis more seriously than others. The economic crisis originated in the reversal of the domestic real estate boom and worsened rapidly when risk aversion became extreme on global financial markets. In 2009, GDP had fallen by 18.7%. According to the Ministry of Economy at the end of the 2010 Latvia managed to overcome the recession, and in 2011 a slow recovery started that is continued in 2012. Significant budget consolidation measures have been taken to implement the cumulative fiscal adjustment in 2009-2010 to the amount of 10.5% of GDP. Additional cuts to public spending were taken in 2011. This trend increased the number of unemployed and the subsequent reduction in demand. As a result, trade unions have found it more difficult to maintain collective agreements in an increasingly international competitive economic environment. A number of protests had already been organised by trade unions against government decisions about state budget reduction for social protection in 2007, followed by protests in the following years. Despite the substantial decline in membership, unions seem to have retained as strong voice on the national stage. The European Trade Union Confederation (ETUC) called for a new social deal across Europe (EPSU/CEMR-EP, 2010) on the economic crisis that would provide an alternative to the neoliberal policies being proposed by governments in the New Member States including Latvia, which had been hit by the crises. Another trend related to the crisis is the high loss of trade unions members due to redundancies, a serious decrease in collective agreements, and the comparative lack of success of public protest against austerity measures. What most troubles interviewed trade union representatives was the large number of membership cancellations due to redundancies, leading to a loss of bargaining power, resources, and representatives. In comparison to its counterparts, trade unions in Latvia are hit harder by mass redundancies due to the collapse in demand took place primarily in the sectors where trade unions are traditionally strong, i.e. manufacturing, transportation, communication. The branch unions', particularly in the transport and public sector, make more frequent use strikes to achieve their objectives. However, the position of the Latvian Free Trade Union Federation in the current economic situation has become more visible and stronger than in the past. Trade union leaders have criticised both tax changes and sectoral support measures and made their own proposals (together with other social partners), some of which have been accepted by the government. Trade union resistance prevented the introduction of some measures.

Conclusions, proposals, recommendations

During the process of deepening and widening European integration development of new forms of partnership at European, national, and company levels occurred. In the European labour movement the involvement of social partners and in particular trade unions within these institutions provide a solid basis



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for the redefinition of trade unions' strategy and identity. One of the major influential factors related to the strategy of trade unions and their collective bargaining is intensified international competition and currently, domestic economic and financial insecurity. There are, however, some signs of resistance starting to develop within the European labour movement challenging both the acceptance of austerity measures to overcome current economic crisis and the strategy of social partnership. These development take the form of a transnational "social movement unionism" that links diverse groups and networks in opposition to austerity measures as being a core element of the neo-liberal conception of macroeconomic and fiscal stability. This is of particular importance due to growing globalization and the mutual interaction between the world's economy and negotiations of world leaders with social partners.

At the time when Latvia recovers from economic recession, particularly, from a fall in production, and when the Latvian government has determined to pursue strict and stable monetary policy and to stabilize the state's financial system, in the opinion of the author, an improved governance, transparency, and involvement of stakeholders in the social dialogue are essential to strengthen the links between economic development and effective employment policies. It would be important to coordinate financial system support measures with active labour market policies in order to mitigate structural long-term unemployment and to avoid social tensions.

The following consequences are taking place as the result of the current economic downturn and subsequent recession:

- a shift in the balance of bargaining power in favour of employers;
- further weakening of trade unions due to membership losses, resulting in lower representation;
- decreasing capacity of trade unions' to represent employee interests, influence changes in labour legislation, to ensure constructive social dialogue, and to strengthen social-democratic policies in Latvia.

Currently trade unions have found it more difficult to maintain collective agreements in a more internationally competitive economic environment. It is clear that changes in employment law are a key factor that explains the declining levels of bargaining coverage in recent years. Improved governance, transparency, and involvement of stakeholders in the social dialogue are essential to strengthen the links between economic development and effective employment policies.

Together with monetary and fiscal stimulus policies, negotiation and consultation involving social partners and trade unions in particular could play a significant role in limiting negative social consequences and a number of crucial economic recovery objectives such as reform of the global financial system, restoring and improving growth dynamics to create more and better jobs, promoting skills and entrepreneurship, revitalising the single market and developing an integrated EU industrial policy among others. However, it should be taken into consideration, that there are some signs of resistance starting to develop within the European labour movement challenging both the acceptance of austerity measures to overcome current economic crisis and the strategy of social partnership.

In Latvia, trade unions could strengthen their efficiency by using lobbying mechanisms in tripartite negotiations.

Trade unions in Latvia could also apply the EU15 experience and to open an opportunity of organise trade unions based on the ideological and political views of their members. This could positively influence the increase of membership.

In conclusion the author underlines, that many trade unions worldwide currently consider development of transnational organisations. Trade unions in Latvia could also have more ties with the other Baltic States as they have common history as well as with Scandinavian countries and learn from good practices on successful negotiations of employment issues with other social partners as well as to share possible geopolitical interests.



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